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AMERICAN-JAPANESE TRADE AND TREATY ABROGATION

An Economic Analysis of
The Possible Effects of the Abrogation of
The American-Japanese Treaty of 1911
Upon American-Japanese Trade

Special Report
To Its Members by
THE JAPANESE CHAMBER OF COMMERCE
San Francisco

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1939

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American-Japanese Trade and Treaty Abrogation

I. INTRODUCTION

The United States' entrance into the field of commerce of the Orient is generally attributed by historians to her desire to avoid the turbulent waters of the Atlantic and to seek lucrative trade elsewhere in a more congenial atmosphere, and to her zeal to carry the gospel of the Nazarene into backward sections of the globe. To borrow the fitting language of Townsend Harris, in his case the first American Consul-General and Minister to Japan, America went to the Far East in order to bestow "the blessings of Christianity and Western civilization" upon the Flowery Kingdom.

Special Report
To Its Members by
The Japanese Chamber of Commerce
San Francisco

November, 1939

Since then, each successive international disaster in Europe became a new impetus to the increasing importance of the Far East in American trade, particularly of Japan. The present dark and hectic European situation again will not be conducive to the normal growth of trade across the Atlantic. With the present status of South American or African industries trans-Pacific commerce will receive temporarily, at least, its usual stimulus which undoubtedly will show itself in the trade figures between America and Japan.

In these abnormal times when business and sentiment are woefully confused and confounded, nothing is more important than unadulterated facts—facts as they really are—for our clear thinking and guidance. The notice of Secretary Cordell Hull of the termination of the American-Japanese Treaty of Commerce and Navigation of 1911 for a moment caused a flurry of comments and speculation as to its background. While there is nothing unusual in the language of the illustrious Secretary, the business world began to focus its attention upon the trade figures between these two nations.

Unfortunately these figures are scattered and none too well organized. In presenting this short resume of the findings relative to the importance of the American-Japanese trade, we have no desire to participate in speculation as to whether the notification, above referred to, had any international import or was an expression of domestic politics. The Chamber feels that its object has been more than attained if it can offer to its members a few salient and relevant facts and facts only for their own reference and consideration in an accessible manner.

II. MAGNITUDE OF JAPAN'S TRADE WITH AMERICA

A. Japan Third Best Customer of United States.

Accepting the criterion that a customer nation is important, according to the amount it purchases from another, the United Kingdom undoubtedly is the most important country to the United States followed by Canada with whom she embraces three thousand miles of peaceful common boundaries. However, it is Japan which has enjoyed eighty-five years of unbroken and amicable friendship with this country that occupies the third place in importance in her trade.

The Chamber of Commerce of the United States gives the same situation in the following graphic manner:

FOREIGN TRADE OF THE UNITED STATES, 1938

IMPORTS		EXPORTS	
Canada	14.0%	United Kingdom	19.0%
United Kingdom	7.4%	Canada	14.2%
<i>Japan</i>	7.4%	<i>Japan</i>	8.9%
British Malaya	6.3%	France	5.1%
Cuba	5.5%	Germany	4.0%
Brazil	4.9%	Italy	3.2%
Philippines	4.8%	Mexico	2.9%
Germany	3.8%	Cuba	2.6%
India	3.2%	Belgium	2.6%
Argentina	3.1%	Australia	2.5%
All others	39.6%	All others	35.0%

Looking at the same question from the viewpoints of these foreign nations, the importance of the United States looms large though in varying degrees. The following figures taken from the Commerce Year Book 1938 are based on the statistics of these countries and are naturally somewhat at variance with those we shall quote presently from American sources. All the more do they, therefore, indicate exactly the relative importance of the United States with these several nations.

TRADE OF LEADING COUNTRIES WITH THE UNITED STATES*

(Percentage of their Trade in Brackets)

Rank	Country	Export to U.S.		Import from U.S.				
		(In \$1,000)	1935	1936	1937	1935	1936	1937
1.	United Kingdom	147,636	182,798	207,386	429,013	463,422	564,847	(6.3) (7.3) (7.1) (11.6) (11.0) (11.1)
2.	Canada	251,285	327,646	352,599	308,509	368,127	489,997	(35.2) (35.2) (35.7) (56.6) (58.2) (60.6)
3.	<i>Japan</i>	156,166	175,818	188,090	232,507	246,062	365,502	(21.8) (22.5) (20.6) (33.0) (30.7) (33.6)
4.	France	47,400	52,686	61,326	118,031	151,123	160,713	(4.6) (5.7) (6.4) (8.5) (9.9) (9.5)
5.	Germany	68,237	69,311	84,237	96,901	93,581	113,506	(4.0) (3.6) (3.5) (5.8) (5.5) (5.2)

*Foreign Commerce Year Book, 1938

Bureau of Foreign Trade and Domestic Commerce, P. 428.

B. Japan's Purchase Equals that of Entire South America.

Japan's population of 70 million (or 99 million with the colonies) is approximately the same as the total of all the South American countries which claim about 80 million. Her purchases of 1935-1938 from this country certainly compare favorably with the total takings of all South American Republics and colonies.

U. S. Sales to	1935	1936	1937	1938
Japan*	207,471,000	207,890,000	304,626,000	256,625,000
All South America....	174,341,000	204,222,000	318,354,000	299,711,000

*Including Kwantung.

C. Japan's Purchase More Than Half of Asia's

Japan's early trade with the United States was largely one of supplying raw materials while America was Japan's rich market. That situation continued up to 1931 when the position began to be reversed; then Japan, alone of all Asiatic countries, came to assume a similar role as has Europe in her commercial relations with the United States. Japan began to buy more from this country than the latter bought from Japan, while all others of Asia still remained as the suppliers of America's raw materials.

Thus in 1937, Japan's purchases from the United States of \$304,626,000 was 53% of the total \$579,971,000 purchased by all Asiatic countries including China, Hongkong, Siam, Philippine Islands, French Indo-China, Netherlands Indies, British Malaya, Ceylon, British India and others. Such has been the approximate proportion for the last five years.

EXPORTS (INCLUDING RE-EXPORTS) OF THE U.S.*

	(in thousands of dollars)				
	1933	1934	1935	1936	1937
Asia	292,030	401,210	377,940	398,885	579,971
Japan**	146,126	214,418	207,471	207,890	304,626
	(50%)	(53%)	(55%)	(52%)	(53%)

*Statistical Abstract of the United States, 1938, pp. 464 and 456—for the years 1933-1937.

**Including Kwantung.

JAPAN TRADE WITH THE UNITED STATES BY
PRINCIPAL COMMODITIES*

Commodity	Value (thousands of dollars)			
	1934	1935	1936	1937**
IMPORTS FROM U.S.	228,663	232,507	246,062	365,502
Cotton, raw	119,134	106,775	108,082	88,142
Mineral oils	20,719	26,776	31,733	23,343
Iron and steel, heavy	20,195	25,609	22,756	42,540
Old and scrap	13,550	18,771	16,431	-----
Machinery	11,258	12,082	12,186	12,944
Automobiles and parts	9,374	8,971	10,137	8,019
Wood	6,230	8,103	9,341	8,652
Copper, crude	7,767	10,291	9,267	14,224
Wood pulp	4,850	6,549	9,217	-----
Chemicals, related products	4,286	5,639	8,440	-----
Tobacco leaf	1,421	1,780	2,146	-----
Muriate of potash	785	1,590	2,126	-----
Paints and varnishes	1,170	1,305	1,817	-----
Phosphate rock	1,188	1,297	1,596	-----
Postal parcels	971	714	1,442	-----
Cars and chassis	1,192	1,135	1,400	-----
Rosin	848	1,152	1,285	-----
Hides and skins	1,866	1,922	1,153	2,703

*Foreign Commerce Yearbook, 1936, p. 335.

JAPAN TRADE WITH THE UNITED STATES BY
PRINCIPAL COMMODITIES*

Commodity	Value (thousands of dollars)			
	1934	1935	1936	1937**
EXPORTS TO U.S.	120,185	156,166	175,818	188,090
Silk, raw	72,618	94,419	96,919	93,658
Vegetable oils	2,682	7,942	9,435	5,459
Foods, canned or bottled	3,569	5,103	4,803	6,824
Cotton piece goods	875	2,619	4,611	7,107
Pottery	4,269	4,565	4,507	5,604
Textile fabrics, other	2,822	4,320	4,350	-----
Perilla oil	1,098	2,873	4,313	-----
Toys	2,868	3,629	3,973	4,758
Tableware	4,120	3,709	3,608	-----
Rags	1,438	2,165	2,822	-----
Colza oil	1,172	2,837	2,728	-----
Crabs, canned	1,741	2,977	2,455	-----
Floor coverings	1,307	1,796	2,344	-----
Silk piece goods	1,613	2,011	2,190	3,321
Knit goods	462	1,131	1,969	1,972
Postal parcels	1,370	1,832	1,764	-----
Metal manufactures	1,057	1,346	1,640	-----
Tea	1,385	1,299	1,624	2,250
Cotton waste	376	1,269	1,523	-----
Hats and caps	1,344	1,008	1,519	2,442
Fish meal	1,811	663	1,460	-----
Lamps and parts	948	874	1,431	1,220
Silk kimonos	943	1,054	1,131	-----
Hat braids	1,470	535	1,043	1,376

*Foreign Commerce Yearbook, 1938, p. 335.

**Data for imports of mineral oils, metals, and automobiles are for the first 7 months only.

Note: Commodities listed in order of importance (value in \$) according to figures for the year 1936, of only those amounted to over a million dollars in that year.

PRINCIPAL EXPORT COMMODITIES IN TRADE OF THE UNITED STATES WITH JAPAN, INCLUDING TAIWAN AND CHOSEN

Commodity	Seven Months Ending July			
	1938	1939	Value (\$1,000)	1938
EXPORTS, INCLUDING RE-EXPORTS,				
TOTAL			139,037	123,587
Cattle hides	1,000 lbs.	14,320	11,074	1,481 1,028
Tobacco, Leaf	"	698	30	289 2
Raw Cotton	1,000 bales	571	407	29,743 20,479
Logs and hewn timber:				
Douglas fir	M. ft.	4,311	5,016	53 62
Hemlock	"	1,894	3,006	21 36
Cedar, western red	"	803	624	15 8
Douglas fir, sawn	"	23,959	24,977	384 430
Douglas fir boards, planks, etc.	"	2,494	370	55 8
Hemlock boards, planks, etc.				
Wood Pulp	tons 2/	30,422	7,236	2,275 449
Petroleum and products, total			31,866	24,642
Crude petroleum	1,000 bbl.	15,033	9,312	20,991 11,867
Gasoline	"	546	509	3,074 3,757
Kerosene	"	1/	20	1/ 31
Gas and fuel oil	"	3,080	3,236	3,963 3,917
Residual fuel oil	"	1,399	2,391	1,274 1,702
Lubricating oil	"	156	217	1,411 2,106
Pig iron	1,000 tons 3/	163	10	2,648 141
Iron and steel scrap	1,000 tons 4/	837	1,161	13,841 17,282
Steel ingots, blooms, billets, slabs, etc. not containing alloy	1,000 tons 3/	76	44	2,555 1,618
Wire rods	1,000 lbs.	24,052	3,996	551 66
Steel sheets, black	"	3,245	303	325 43
Iron and steel plates	"	19,885	1,429	485 34
Tinplate, tagger's tin and terneplate	"	28,669	56	1,649 2
Copper, refined	"	98,934	132,385	9,501 13,516
Copper, old and scrap	"	915	5,128	81 466
Power-driven metal working machinery				13,722 15,963
Automobiles, parts and accessories, total				6,386 4,581
Passenger cars and chassis	no.	1,520	462	641 175
Motor trucks, busses, etc.	no.	3,615	2,106	1,299 834
Automobile parts for assembly				2,416 1,846
Automobile engines	no.	5,481	4,240	637 591
Aircraft and parts				6,611 2,170
Borax	1,000 lbs.	6,383	3,365	119 51
Carbon black or gas black	"	5,841	6,194	276 285
Phosphate rock	tons	123,742	136,409	520 531
Potassic fertilizer materials	tons	26,353	44,331	1,042 1,780

*Source: The Division of Business Review and Far Eastern Section of Division of Regional Information, Dept. of Commerce, Washington, D. C.

1/ Less than 1,000.

2/ Tons of 2,000 pounds air-dry weight.

3/ Tons of 2,240 pounds.

4/ Including tin plate scrap and waste-waste tinplate.

PRINCIPAL IMPORT COMMODITIES IN TRADE OF THE UNITED STATES WITH JAPAN, INCLUDING TAIWAN AND CHOSEN*

Seven Months Ending July

Commodity	Quantity		Value (\$1,000)	
	1938	1939	1938	1939
GENERAL IMPORTS.....	.....	.....	67,127	70,171
IMPORTS FOR CONSUMPTION, Total	.....	.....	70,083	71,258
Tuna fish, canned, in oil.....1,000 lbs.	2,765	4,081	544	677
Crabmeat, sauce, and paste....."	3,121	4,006	1,201	1,488
Coney and rabbit furs, undressed.....thousands	3	.....	1	.....
Mink furs, undressed.....thousands	481	598	601	788
Bristles, sorted and prepared.....1,000 lbs.	70	92	223	258
Tea.....1,000 lbs.	5,853	8,062	736	964
Rubber-soled footwear with fabric uppers.....pairs	489,847	433,723	108	80
Pyrethrum flowers.....1,000 lbs.	5,441	2,730	773	543
Perilla oil....."	10,354	7,848	619	277
Cotton cloth, bleached.....1,000 sq. yds.	12,506	33,191	590	1,240
Cotton cloth, unbleached....."	8	.....	1	.....
Cotton floor coverings....."	3,922	5,401	488	660
Cotton rags.....1,000 lbs.	9,604	5,518	606	366
Hat Braids.....1,000 yds.	506,713	543,936	833	693
Raw silk.....1,000 lbs.	26,239	21,908	42,490	44,684
Hats, bonnets and hoods.....thousands	4,049	4,461	701	811
Silk fabrics, except pile.....	.....	.....	1,449	1,041
Tissue and similar paper.....1,000 lbs.	340	315	257	197
China and porcelain table and kitchen ware.....	.....	.....	1,050	1,062
Earthen and stoneware.....	.....	.....	472	457
Slide fasteners (zippers).....thousands	25,166	15,846	456	306
Electric lamps....."	25,611	36,282	176	290
Menthol.....1,000 lbs.	257	115	614	272
Camphor, crude....."	513	444	159	124
Camphor, refined....."	443	465	212	193
Dolls and parts.....	.....	.....	81	61
Other toys.....	.....	.....	373	368
Brushes.....thousands	28,776	28,811	241	190

*Source: The Division of Business Review and Far Eastern Section of Division of Regional Information, Dept. of Commerce, Washington, D. C.

D. May Affect \$41,500,000 More a Month.

The San Francisco Chronicle of July 28, 1939, approaches the possible economic consequences of the American-Japanese Treaty Abrogation from even a broader aspect. "Besides the trade with Japan, there were other trades that stood in likelihood of considerable alteration.

1. "Trade with China has been almost entirely with that area now under control of Japan's armed forces. The United States has been exporting nearly \$5,000,000 worth of goods monthly to that country this year, and taking about the same values of imports from China.

PRINCIPAL COMMODITIES IN TRADE OF THE UNITED STATES WITH CHINA

Seven Months Ending July

Commodity EXPORTS, INCLUDING RE-EXPORTS	Quantity		Value (\$1,000)	
	1938	1939	1938	1939
TOTAL	.....	.....	24,219	29,414
Wheat flour.....1,000 bbls.	85	1,238	344	2,837
Tobacco leaf.....1,000 lb.	22,357	27,371	2,966	4,079
Cigarettes.....thousands	23,360	52,568	65	129
Raw Cotton.....1,000 bales	23	65,218	1,137	3,028
Douglas fir.....M.ft.	27,240	50,454	416	645
Printing paper.....1,000 lb.	2,238	9,088	127	238
Overissue and old newspapers....."	16,523	27,277	103	153
Petroleum and products, total.....	.....	.....	899	1,558
Kerosene.....1,000 bbl.	19	124	38	233
Gas oil and distillate fuel oil...."	326	255	426	354
Gasoline....."	9	64	27	121
Lubricating oil....."	39	84	232	519
Iron and steel scrap.....tons	3,994	15,149	67	359
Tin plate and taggers' tin.....1,000 lb.	4,259	5,165	256	250
Steel sheets, black....."	2,295	3,294	81	103
Copper wire....."	1,898	226	206	27
Automobiles, parts and acc.....total	.....	.....	2,961	3,498
Motor trucks, busses, chassis.....No.	3,448	3,332	2,002	2,745
Passenger cars and chassis.....No.	857	477	571	350
Aircraft and parts.....	.....	.....	5,977	228
Coal tar colors (aniline dyes).....1,000 lb.	1,579	1,859	331	438
GENERAL IMPORTS.....TOTAL	.....	.....	25,455	29,975
IMPORTS FOR CONSUMPTION.....TOTAL	.....	.....	25,418	29,742
Sausage casings.....1,000 lb.	371	413	387	446
Eggs, other than in shell....."	1,018	590	251	175
Goat and kid skins.....1,000 pieces	568	1,136	234	445
Bristles.....1,000 lb.	1,388	2,173	2,584	3,154
Undressed furs:	.....	.....	.....	.....
Kolinski.....thousands	270	352	523	679
Lamb, kid, sheep and goat....."	702	1,412	571	1,122
Weasel....."	801	1,527	780	1,465
Cottonseed oil.....1,000 lb.	.....	1,716	.....	55
Peanut oil....."	255	2,448	26	89
Tea....."	3,815	1,310	441	186
Sesame seed....."	1,540	1,868	65	63
Tung oil....."	58,229	39,774	6,534	5,427
Raw cotton....."	6,595	631	634	54
Carpet Wool....."	1,280	1,391	340	231
Waste silk....."	525	1,177	132	367
Raw silk....."	204	1,606	260	2,873
Handkerchiefs of vegetable fibre other than cotton.....thousands	14,627	15,698	1,304	1,107
Articles or fabrics embroidered, appliqued, etc.	.....	.....	675	775
Hats of straw, paper, grass.....thousands	3,156	3,010	801	649
Antimony (content).....1,000 lb.	639	939	55	74
Tungsten ore and concentrates....."	421	117	336	84
Tin in bars, pigs, blocks....."	2,726	3,402	1,070	1,381

2. "Hongkong trade has been largely for supply of the Chinese area nearby. That area too is in Japanese control. Exports to Hongkong totaled nearly \$9,000,000 in the first five months of

this year, and a little more than that figure in the 1938 period. Imports from that British outpost were only about one-fifth of the exports.

**PRINCIPAL COMMODITIES IN TRADE OF THE UNITED STATES
WITH KWANTUNG***

Seven Months Ending July

Commodity	Quantity	Value (\$1,000)		
	1938	1939	1938	1939
EXPORTS, INCLUDING RE-EXPORTS,				
TOTAL		12,433	10,058	
Tobacco, leaf.....	1,000 lb.	1,733	197	
Raw cotton.....	bales	28,158	657	1,439 32
Petroleum and products, total.....			1,942	2,673
Gasoline.....	1,000 bbl.	319	402	939 934
Crude Petroleum.....	"	347	638	518 935
Kerosene.....	"	142	212	258 354
Gas oil and fuel oil.....	"		39	51
Lubricating oil.....	"		24	26 167 286
Tinplate and taggers' tin.....	"	2,846	327	145 14
Refined copper, ingots, bars, etc.....		2,265	3,316	227 364
Steel bars, not containing alloy.....	1,000 lb.	40,963	3,660	905 85
Iron and steel plates, not fabricated, not containing alloy.....	1,000 lb.	74,696	47,549	1,543 847
Structural shapes, fabricated and not fabricated.....	tons	13,647	349	664 13
Railway track rails.....	tons	15,559		678
Automobiles, including parts and accessories.....			1,612	538
GENERAL IMPORTS				
TOTAL			1,057	910
Imports for consumption.....	total		693	1,050
Soybeans oil cake and oilcake meal.....	1,000 lb.	4,029	8,724	51 109
Castor beans.....	"			
Hempseed.....	"	175	1,265	4 22
Perilla oil.....	"	5,815	17,621	320 721
Soybeans oil.....	"	2,302	674	89 18
All others.....	"			229 180

**PRINCIPAL COMMODITIES IN TRADE OF THE UNITED STATES
WITH HONG KONG***

Seven Months Ending July

Commodity	Quantity	Value (\$1,000)		
	1938	1939	1938	1939
EXPORTS, INCLUDING RE-EXPORTS,				
TOTAL		13,349	12,530	
Wheat flour.....	bbl.	108,424	366,941	425 867
Ginseng.....	1,000 lb.	69	84	330 342
Petroleum and products, total.....			1,085	777
Gasoline.....	1,000 bbl.	66	62	370 130
Kerosene.....	"	51	55	104 91
Gas oil, distillate fuel oil and residual fuel oil.....	"	168	254	220 309
Lubricating oils.....		28	11	244 88
Tinplate and taggers' tin.....	1,000 lb.	3,794	6,077	174 261
Galvanized wire.....	"	5,983	1,979	170 40
Rubber-covered wire.....	"	194	4	83 1
Refined copper in ingots, bar or other forms.....	"	5,674	1/	554 1/
Automobiles, parts and accessories, total.....			2,428	5,060
Motor Trucks, busses and chassis.....	No.	3,090	6,219	1,869 4,167
Passenger cars and chassis.....	No.	319	487	211 340
Aircraft, parts and accessories.....			1,003	206

	Quantity	Value (\$1,000)		
	1938	1939	1938	1939
GENERAL IMPORTS.....	TOTAL		2,389	2,136
IMPORTS FOR CONSUMPTION.....	TOTAL		2,381	2,118
Animals and animal products, inedible.....			25	21
Vegetable food products, and beverages.....			315	325
Tung oil.....	1,000 lb.	4,773	6,265	516 811
Tin bars, blocks, pigs, etc.....	1,000 lb.	2,145	1,333	828 561
All other.....			697	400

3. *Manchoukuo.* "Another trade of some significance is that with Manchoukuo, or with the Japanese in control. It has been largely a military supply business, principally oil, cotton, structural materials, automobiles and trucks.

"All told these trades exceeded \$200,000,000 in the first five months of this year, averaging, in fact, better than \$41,500,000 a month."

III. NATURE OF AMERICAN-JAPANESE TRADE.

A. U.S.-Japan Trade is Complementary.

A comparison of the geographical positions of the United States and Japan, the nature of these countries, their areas and topography, alone, will convince anyone of the vast natural differences in the products of the large continental Republic and the small Island Empire. Those differences, by nature alone, argue as to how they may mutually derive the benefits in such an international trade.

We are informed that in 1934 the United States Tariff Commission made a special study of the extent of the Japanese competition with American products. It was then revealed that out of a total of \$119,252,000 purchased from Japan that year but \$9,713,756 or 8.1% were "substantially competitive." While the percentage of free goods from Japan is usually about 70%, the average for European free goods is 38.2%; Great Britain 44.6%, France 33.8%, Germany 39.9% and Italy 14.7%.

It is also interesting to note that the commodities involved in recent American-Japanese trade are diversified and are becoming more diversified even at the expense of the percentages (not necessarily net values) of the chief items in this trade of cotton and silk. The following table enumerates the principal commodities in order of their values represented in the returns for 1936.

B. Raw Materials Figure Large.

As we have already partly seen, so long as Japan was importing America's goods for the purpose of consumption only, her trade with the United States was no different from that of any other semi-industrial nation. Scantly blessed with natural resources, restricted in their

emigration to many sparsely settled communities of the world, the Japanese have long since decided to industrialize their country by bringing materials from abroad, investing their abundant, willing and capable labor into them and converting them into the goods that find their market in the four corners of the globe. So as soon as their industrial program was set in motion, the nature of American-Japanese trade became considerably modified. Particularly notable is the fact that for some years approximately 50% of Japan's export was raw silk. As industrialization progressed in the Island Empire, America's raw cotton, upon which Japan built her great industry, increased by leaps and bounds until today when she takes more American raw cotton than any other nation barring none.

The following are seasonal exports of American cotton from the United States by country for the past three seasons:^{*}

EXPORTS OF AMERICAN COTTON

(Thousands omitted)

Country	1936-37**		1937-38**		(11 mos.) 1938-39***	
	Bales	Value	Bales	Value	Bales	Value
United Kingdom	1,144	\$ 76,755	1,552	\$ 83,035	394	\$ 19,825
France	655	44,294	716	40,414	335	17,662
Japan	1,550	106,366	691	36,640	846	42,569
Germany	650	44,875	656	37,006	307	16,161
Italy	398	27,961	505	27,260	261	13,340
Canada	307	21,231	246	13,182	215	10,669
Poland	174	11,984	233	13,103	155	8,244
Belgium	154	10,501	190	10,674	86	4,406
India	13	976	141	7,857		
Netherlands	87	6,120	117	6,792	66	3,511
Sweden	87	6,267	84	4,805	90	4,641
Total.....	5,219	\$357,330	5,131	\$280,768	2,755	\$141,008

The following figures cover exports from Californian ports of cotton from California as well as Arizona and New Mexico:

COTTON EXPORTS FROM CALIFORNIAN PORTS****

(in bales)

Country	1935-36	1936-37	1937-38	1938-39
United Kingdom	39,337	42,623	132,119	20,570
(12%)	(8%)	(22%)	(5%)	
France	15,575	17,634	18,135	16,691
Germany	36,956	27,248	44,859	7,390
Other Europe	990	10,338	4,341	3,198
Japan	203,814	402,478	255,362	289,764
(67%)	(78%)	(43%)	(82%)	
China	200	1,000	8,195	7,184
India	5,882	11,753	119,298	2,100
Other countries	530	840	8,348	2,243
Total.....	303,284	513,914	590,657	349,140

*A cotton season begins on Aug. 1st, terminating on July 31st.

**Department of Commerce Bulletins Nos. 259, 260a, Aug. 22 and 29, 1939.

***Department of Commerce Bulletins Vol. 1, Nos. 28 and 29, July 17 and 24, 1939.

****The California-Arizona Cotton Association Movement Report No. 4, dated October 4, 1939.

SOURCES OF U.S. RAW SILK IMPORTS, 1938*

Country	Weight in 1,000 lb	Value in \$1,000
Japan	51,300	83,600
China	1,600	2,100
Italy	2,300	3,000
Total All Countries	55,000**	88,800**

*Department of Commerce, Raw Silk Production and Trade, Special Bulletin No. 637, p. 21.

**Include very small amounts from France and Switzerland.

C. American-Japanese Trade Illustrates Division of Labor.

To follow up the case of cotton and silk, for instance, as in the early experiences of older industrial sisters of the West. Japan too, as it is so familiar to our members, went into weaving in which her artisans already excelled. It is phenomenal that she built her greatest industry in cotton, the raw materials 99.9% of which she must import from distant lands. On the other hand Japan exports a vast amount of her silk, varying around 70-80% of American consumption. The shipping of this raw material as we shall presently point out, means much to its profit, further handling, processing or manufacturing in the receiving country. It means the co-ordination of work between the exporter and importer. The American-Japanese trade exemplifies an international division of labor profiting both parties.

D. Trade Favorable to the United States.

Such being the case, the more industrialized Japan becomes, the more she must import raw materials from abroad, the product of which she must dispose of elsewhere. The limit is no longer determined by her domestic consumption but by her ability to sell her goods in foreign markets. Take, therefore, America's trade returns with Asia. The raw materials furnishing countries, like Malaya and India as well as China have favorable balance with the United States. On the contrary, America's favorable balance with Japan within the last few years is increasingly large and important. The figures for the years 1935-6-7 are most significant. Whereas America's favorable trade balance with Japan during the three-year period amounted to \$178,122,000, the unfavorable balance with China came to \$103,379,000 as illustrated by the following chart.

U. S.—JAPAN TRADE†

U. S.	1921-25 (average)	1926-30 (average)	1931-35 (average)	1933	1934	1935	1936	1937	1938
EXPORTS									
Japan	241,877	246,036	169,567	143,435	210,480	203,283	204,348	288,558	239,620
Kwantung	6,735	7,531	2,836	2,691	3,938	4,188	3,542	16,068	17,905
IMPORTS									
Japan	335,384	379,632	148,186	128,418	119,251	152,902	171,744	204,201	126,820
Kwantung	2,739	3,362	2,073	1,347	1,577	5,312	3,988	3,708	
BALANCE	—89,511	—129,427	+22,144	+16,361	+93,590	+49,257	+32,158	+96,707	

U. S.—CHINA TRADE†

U. S.	1921-25 (average)	1925-30 (average)	1931-35 (average)	1933	1934	1935	1936	1937	1938
EXPORTS									
	104,175	109,021	62,571	51,942	68,667	38,153	46,819	49,703	34,749
IMPORTS	142,035	140,506	47,775	37,807	43,933	64,200	74,232	103,622	
BALANCE	—37,860	—31,485	+14,796	+14,135	+24,734	—26,047	—27,413	—53,919	

†Statistical Abstract of the U.S., 1938, p. 474.

+ Denotes a favorable balance of trade for the United States.

— Denotes an unfavorable balance of trade for the United States.

IV. GEOGRAPHICAL DISTRIBUTION OF JAPANESE TRADE

A. Japanese Trade by Leading Ports.

Turning our attention to the geographical distribution of American-Japanese trade, it will be noted that New York still occupies the first place in importance especially in its import trade with Japan suggesting the heritage of the old frigate days, although the present route is through the Pacific ports or via the Panama Canal. However, it is to be remembered that in 1938, Los Angeles came to take first place, so far as export to Japan was concerned, with its \$60,548,000 as against New York's \$59,080,000. Yet, no customs district in the United States is as important to Japan as New York which covers many mill towns of New England and New Jersey where the bulk of Japan's raw silk finds its final destination.

Even other ports of the Atlantic, as well as the Gulf Coast ports, fare largely in their export and import trade with Japan. The southern customs districts such as New Orleans, Galveston, Mobile and Maryland also report a surprisingly large share in Japan trade; Galveston in particular owes its prominence largely to her cotton export to Japan. On the Pacific Coast, Los Angeles, San Francisco, Seattle and Portland come in order of importance in this trade to which we shall presently come. A bird's eye view covering the period of 1935, 1936, 1937, and 1938 of Japanese trade according to principal customs districts is as follows:

JAPANESE-AMERICAN TRADE BY LEADING PORTS*

	1935 Exports to Japan	1936 Exports to Japan	1937 Exports to Japan	1938** Exports to Japan	Ranking According to 1938 Exports
New York	790,336 (3.4%)	872,314 (3.5%)	30,590 (9%)	1,234,432 (5%)	1,126,264 (9.3%)
Philadelphia	61,756 (11%)	64,757 (8.3%)	6,119 (9%)	92,464 (14%)	12,768 (11%)
Maryland	35,841 (19%)	6,292 (10%)	45,071 (13%)	106,695 (22%)	81,810 (11.07%)
Virginia	122,579 (3.8%)	135,646 (4%)	5,322 (7%)	137,701 (3.7%)	156,467 (1.3%)
Florida	36,466 (9%)	39,357 (8.3%)	3,047 (8.3%)	44,021 (12%)	5,188 (4.1%)
Mobile	30,877 (23%)	32,807 (16%)	1,841 (25%)	47,084 (12%)	5,792 (5.67%)
New Orleans	161,934 (10%)	167,402 (14.87%)	11,038 (7%)	217,480 (5.8%)	12,475 (3.3%)
Galveston	249,779 (23%)	251,970 (16%)	62,766 (25%)	274,377 (12%)	33,366 (11%)
San Antonio	46,118 (10%)	44,281 (10%)	4,702 (10%)	84,189 (12%)	1,738 (2.9%)
Los Angeles	98,393 (41%)	91,989 (41%)	32,612 (36%)	137,094 (43%)	58,462 (43%)
San Francisco	108,393 (12%)	98,560 (13%)	13,098 (13%)	137,097 (16%)	135,120 (17%)
Seattle	49,539 (28%)	61,990 (24%)	14,564 (3,437)	92,561 (27%)	25,064 (25%)
Portland	17,521 (20%)	16,393 (21%)	(21%)	27,038 (20%)	5,629 (6.6%)
Total including others	2,282,874 (9%)	2,455,978 (8.3%)	204,348 (8.3%)	3,349,167 (9%)	288,558 (8.3%)
				3,094,094 (8.3%)	

*Foreign Commerce & Navigation of the U.S., Calendar years 1935, 1936, and 1937.

**Furnished by the Bureau of Foreign and Domestic Commerce, Dept. of Commerce, Washington, D. C.

JAPANESE-AMERICAN TRADE BY LEADING PORTS*

	Figures in brackets denote Japan's per cent in total (in thousands of dollars)				
	1935 Total Imports from Japan	1936 Total Imports from Japan	1937 Total Imports from Japan	1938** Total Imports from Japan	Ranking According to 1938 Imports
New York	1,033,125 (10%)	1,197,024 (10%)	116,747 (10%)	1,479,810 (9%)	140,644 (10%)
Philadelphia	119,742 (2%)	158,774 (1.8%)	2,793 (1.8%)	190,894 (1.3%)	2,621 (1.267)
Maryland	54,867 (2.5%)	71,728 (2%)	1,472 (2%)	99,290 (2.6%)	2,624 (1.11%)
Virginia	29,201 (0.7%)	29,802 (0.4%)	104 (0.4%)	37,176 (0.8%)	296 (1.11%)
Florida	14,171 (1.0%)	19,006 (1.0%)	194 (1.0%)	22,049 (1.2%)	263 (1.0%)
Mobile	6,392 (3.0%)	7,054 (2%)	22 (1.7%)	12,901 (0.5%)	66 (2.1%)
New Orleans	105,663 (0.8%)	109,814 (0.6%)	(—) (1.7%)	144,217 (0.6%)	968 (0.6%)
Galveston	25,097 (2.0%)	24,302 (2.0%)	416 (1.7%)	32,653 (1.5%)	463 (1.2%)
San Antonio	6,105 (—)	1,450 (—)	(—) (—)	6,091 (0.1%)	4 (—)
Los Angeles	48,254 (20%)	64,827 (25%)	16,192 (25%)	80,457 (12%)	10,053 (12%)
San Francisco	71,669 (12%)	71,065 (12%)	10,176 (15%)	87,751 (9.2%)	8,060 (10%)
Seattle	33,777 (21%)	7,298 (21%)	37,254 (20%)	39,805 (24%)	9,608 (25%)
Portland	8,325 (4.7%)	8,383 (5.0%)	461 (5.0%)	10,790 (5.6%)	581 (3.5%)
others.....	2,038,905 (7.6%)	151,397 (7.1%)	2,423,977 (7.1%)	3,009,852 (6.6%)	195,086 (7.1%)
			Total including others	172,562 (6.6%)	1,949,759 (7.1%)

*Foreign Commerce & Navigation of the U.S., Calendar years 1935, 1936, and 1937.

**Furnished by the Bureau of Foreign and Domestic Commerce, Dept. of Commerce, Washington, D. C.

B. Pacific Ports in General

Three-quarters of a century ago William H. Seward, illustrious Secretary of State, spoke prophetically when he said: "The Pacific with its shores, islands and vast regions beyond will become the world's greatest hereafter." No one will deny the growing importance of the Pacific coast ports whose exports as well as imports have just about doubled between 1933-1937 in spite of the unusual conditions that characterize the world. There is not one customs district facing the Pacific that has not gained, gained considerably, both in import and export within the same period. We can point with justifiable pride and satisfaction that Japan figures largely in this glowing picture presented above.

EXPORTS INCLUDING RE-EXPORTS AND IMPORTS OF MERCHANDISE BY CUSTOMS DISTRICTS*

(of the Pacific Coast)
(Values in \$1,000)

Customs District	1933**	1934	1935	1936	1937
Pacific Coast Dist.....Exp.	197,666	259,414	280,079	275,383	403,931
Pacific Coast Dist.....Imp.	121,083	122,805	170,219	191,788	232,313
Washington (Seattle) ....Exp.	37,326	53,740	49,539	61,990	92,561
Washington (Seattle) ....Imp.	28,302	23,367	33,777	37,254	39,805
Oregon (Portland) ....Exp.	14,738	22,297	17,521	16,393	27,038
Oregon (Portland) ....Imp.	4,892	4,812	8,325	8,639	10,790
San Francisco (S.F.) ....Exp.	84,512	91,686	108,393	98,560	137,097
San Francisco (S.F.) ....Imp.	55,514	54,976	71,669	71,065	87,751
Los Angeles (L.A.) ....Exp.	58,111	86,261	98,393	91,989	137,094
Los Angeles (L.A.) ....Imp.	25,814	31,837	48,254	64,827	80,457
San Diego ....Exp.	2,137	3,792	4,632	4,359	7,638
San Diego ....Imp.	1,197	1,781	2,312	3,038	3,613
Alaska (Juneau) ....Exp.	166	323	262	452	400
Alaska (Juneau) ....Imp.	131	271	254	265	223
Hawaii (Honolulu) ....Exp.	676	1,316	1,338	1,639	2,102
Hawaii (Honolulu) ....Imp.	5,233	5,761	5,628	6,700	9,673

*Foreign Commerce and Navigation of the United States, 1937, p. 799.

**Imports for the year 1933 are general imports. Years 1934-1937 are imports for consumption.

1. The Case of Los Angeles.

Viewing the American-Japanese trade now from a rather limited viewpoint of each of the four customs districts of the Pacific Coast, we find that no port of the United States has made such remarkable strides as has the Customs District of Los Angeles. Says Mr. Clarence Matson, Manager of the Foreign Trade Division of the Los Angeles Chamber of Commerce, "No port of the United States is as greatly affected by the abrogation of the Treaty of Commerce and Navigation between the United States and Japan as is Southern California, for the reason that our (Los Angeles) trade with Japan is so much more important than with any other country that it overshadows all other

international trade considerations from an economic standpoint. In fact last year our exports to Japan were greater than the combined exports to our next seven largest customers, England, Philippine Islands, Russia, Australia, Canada, Dutch West Indies, and Chile.

"Here are the figures showing exports from Los Angeles-Long Beach Harbor to our eight most important customers in 1938:

England	\$16,995,037
Philippine Islands	7,242,196
U.S.S.R.	5,476,850
Australia	4,322,081
Dutch West Indies.....	3,924,374
Canada (by water only)	3,802,867
Chile	3,368,487
Japan.....	\$45,356,499
	\$45,131,892

LOS ANGELES PRINCIPAL COMMODITIES EXPORTED TO JAPAN

1938

Commodity	Quantity (unit 1,000 lbs.)	Value (in \$1,000)	Compared with 1937*
Total	3,973,789	45,356,499	
1. Petroleum and products.....	127,568	17,585	+ 1,807
2. Cotton	755	13,401	- 4,901
3. Aeroplanes—parts and accessories.....	46,091	4,823	+ 4,000
4. Copper and manufactures.....	361,152	2,881	+ 331
5. Iron, copper and manufactures.....	55,698	978	- 873
6. Fertilizer	913	437	+ 158
7. Machinery	13,665	245	- 208
8. Borax	1,336	141	+ 88
9. Leather and hides	1,878	112	- 32
10. Industrial chemicals			

LOS ANGELES PRINCIPAL COMMODITIES IMPORTED FROM JAPAN*

1938

Commodity	Quantity (unit 1,000 lbs.)	Value (in \$1,000)	Compared with 1937*
Total	4,709,000		
1. Silk (raw)	935	1,584	- 835
2. Fresh fish	7,280	519	- 326
3. Edible vegetable oils.....	8,630	374	- 836
4. Pottery	2,918	255	- 148
5. Canned fish	619	173	- 61
6. Waste cotton	2,178	124	- 150
7. Industrial chemicals	220	116	- 29
8. Vegetable oils-expressed	2,370	107	- 3

According to the latest statistics of Los Angeles exports to Japan two items are particularly conspicuous. Ever since the westward shift of the home of that greatest farm product of the South reached the fertile and dry valleys of California, namely cotton, it took the pre-

*+ Denotes increase; — decrease.

mier position among the Los Angeles export commodities; and by far the largest part of it goes annually to Japan.

SOUTHERN CALIFORNIA EXPORTS OF COTTON*

	To Japan	To all countries	Japan's % of total
1935.....	Not available	\$21,468,955	
1936.....	\$10,223,760	16,120,598	63%
1937.....	18,753,450	29,017,930	65%
1938.....	13,401,330	22,605,994	59%

*By Clarence Matson, Manager of the Foreign Trade Division of the Los Angeles Chamber of Commerce.

When California oil became accessible to Japan, who sorely needs the commodity, it greatly enhanced the Los Angeles export trade. In 1938, for instance, she took \$17,080,350 of petroleum products, which is equivalent to the combined takings of the six next great importers of this commodity, from Los Angeles alone.

SOUTHERN CALIFORNIA EXPORTS OF PETROLEUM PRODUCTS—1938

England	\$4,321,268
Dutch West Indies.....	3,318,120
Chile	3,037,890
Canada	2,994,510
U.S.S.R.	2,891,200
Japan.....	\$17,080,350
	\$16,562,988

Japan.....\$17,080,350 \$16,562,988

In 1938, Japanese trade through the port of Los Angeles amounted to 2,300,000 tons, being about 38% of the total volume of the city's foreign trade, while in value it amounted to approximately \$50,000,000 representing about 29% of the total. However, of this amount it is to be noted that the exports to Japan were \$45,356,499, while the imports from Japan were only about \$4,769,000. Mr. Matson put the situation in this language: "For every dollar that Los Angeles sends to Japan, we get back ten dollars in return."

It is true that in 1936 Los Angeles' purchases from Japan came to almost \$20,000,000, or as much as 30% of the total import through that city. There must be several factors for this shrinkage concerning which our members are familiar. Japan too might import still larger amounts of American commodities, particularly raw materials, as exemplified by her larger imports in other years. But the operation of the rules of international trade there is no different from that in any other portion of the globe. Japan buys only with the credit she obtains from the sales of her merchandise. One-way traffic cannot be expected to go on forever. Japan will be forced to stop buying from Southern California unless Southern California or other regions of the United States take more of Japanese goods.

2. The Case of San Francisco

Coming now to our port of San Francisco and dealing with the figures more directly concerned with us of Northern California we find them no less impressive and significant. As will be seen in the chart following, 16.5% in 1937 and 17.6% in 1938 represent Japan's purchases of the total exports of the port of San Francisco. It is too well known here that every fifth or sixth box or sack that California's overseas shipper or stevedore handles finds its destination in the Island Empire. Again it is our common knowledge that for every dollar's purchase from Japan through the port of San Francisco, Japan bought from this port \$2.80 in 1937, and \$4.42 in 1938.

TRADE THROUGH PORT OF SAN FRANCISCO

	Total Exports	Exports to Japan	Japan's % of Total
1937	\$136,251,351	\$22,536,193	16.5%
1938	134,639,992	23,690,400	17.6%
1939 (Jan.-June 30).....	53,410,188	9,723,316	14.0%
	Total Imports	Imports from Japan	Japan's % of Total
1937	\$ 87,751,413	\$ 8,060,200	9.2%
1938	57,888,023	5,355,207	9.3%
1939 (Jan.-June 30).....	31,411,671	2,949,761	9.2%

San Francisco's exports to Japan, as will be seen in the list following, are composed almost altogether of raw materials or materials necessary in manufacturing that knows no limit in demands in such a growing industrial nation as Japan. The actual limits are set only by her considerations of balancing her trade or controlling exchange. Although no data is now available, California may look forward to regaining her important position in furnishing China, through San Francisco, with her unrivaled fruits and canned goods as well as other products, especially motor vehicles, which are much in need along China's coast cities; and whose requirements are greatly influenced by their contact with the West.

Indeed, according to the latest economic report from Japan, the whole East is, or soon will be, ready to buy what American resources and industry have to offer, while San Francisco's natural geographical advantages and improved harbor facilities are waiting for opportunities of service in enriching one another by fair and even exchange.

EXPORTS TO JAPAN*
THROUGH PORT OF SAN FRANCISCO

(Only major commodities listed)
(Ton 2,000 lbs.)

Commodity	1937	1938
BULK OIL		
Crude	424,832	744,127
Gasoline	13,861	36,532
Fuel	21,394	385,714

Commodity	1937	1938
Iron and steel (semi-mfg. scrap).....	53,463	39,192
Cotton, raw	27,034	30,398
Lead	7,586	28,904
Iron ore		26,707
Oil, lubricating and grease.....	17,235	11,271
Gasoline, in containers	4,630	7,500
Salt	4,659	5,648
Hides	2,263	2,890
Fertilizers		2,296
Drugs and chemicals.....	2,362	1,202
Rubber, and manuf. and others.....	845	1,003
	<u>910,413</u>	<u>1,328,839</u>

*Foreign Trade of San Francisco Customs District, 1938.

Values not available by items.

EXPORTS TO JAPAN THROUGH PORT OF SAN FRANCISCO

Jan. 1, 1939—June 30, 1939

Commodity	Total Tonnage	Total Value
Petroleum and Products.....	235,022	\$4,510,449
Cotton — Raw.....	11,402	2,377,048
Iron and steel	24,972	533,023
Non-ferrous lead	17,715	1,107,766
Machinery and parts.....	582	501,380
Automobiles and accessories.....	39	28,957
Hides and skins.....	1,330	248,387
Rubber scraps	387	24,583
Pencil slats	167	23,062
Salt	16,061	39,923
Drugs and chemicals.....	206	35,153
Paints and pigments.....	158	17,988
Miscellaneous	1,479	277,386
Total	<u>682,345</u>	<u>\$9,723,316</u>
Rough estimate for the year, doubling above 1/2-year figures.....	<u>1,362,790</u>	<u>\$19,446,632</u>

IMPORTS FROM JAPAN THROUGH PORT OF SAN FRANCISCO

Jan. 1, 1939—June 30, 1939

Commodity	Total Tonnage	Total Value
Canned crab, fish and other marine products	739	\$ 333,352
Furs and leather, manufactured.....	93	39,337
Canned vegetables, fruit and other food preparations	1,330	149,190
Tea	420	105,619
Vegetable oils, roots, herbs and spices.....	732	120,816
Silk — Raw	335	1,424,959
Silk — Manufactured	22	95,055
Cotton mfg., cotton rugs, matting, and synthetic textiles.....	961	166,711
Wood and papers.....	5,751	142,062
China, earthenware and glass, glassware.....	1,013	177,645
Drugs and chemicals.....	208	37,527
Miscellaneous	1,709	157,488
Total.....	<u>13,304</u>	<u>\$2,949,761</u>
Rough estimate for the year, doubling above 1/2-year figure.....	<u>26,608</u>	<u>\$5,899,522</u>

3. The Case of Seattle.

Seattle presents a most complete view of the complementary character in her trade with Japan. Aside from the gold bullion shipped from Japan, the trade is fairly well-balanced. There is not one item on her import column which suggests any possible competition with the articles on the export side. Indeed, there is not a single article that appears on the export column which industrialized Japan does not need in increasing quantity. However, this even balance has not always been the case. For many years her lumber and wheat were profitably exported to Japan, and they are bound to regain their old importance, or gain an added importance, when reconstruction begins in earnest in China and new building activities, long suspended, are resumed in Japan. On the other hand, situated as she is at the nearest point to the Orient, Seattle can yet remain as the shipping and re-shipping point of the Orient's raw silk, the "cream of the cargoes of the Pacific."

TOTAL TRADE OF SEATTLE WITH JAPAN

(1938)

	Exports to Japan	Imports from Japan	
Hides	\$1,958,675	Gold bullion	\$ 5,859,078
Machineries	1,125,146	Raw silk	2,715,624
Metal scraps	659,758	Pottery	902,645
Molybdenum	595,370	Toys and novelties.....	522,253
Lumber	180,528	Tea	333,275
Copper	175,486	Bulbs	331,030
Diesel oil	48,718	Creosote	299,758
Ball-bearing	40,700	Copper ore	223,250
Scrapped rubber	26,942	Foods	148,036
Hardware	26,236	Pyrethrum	133,094
Airplane parts	25,669	Clothing	112,532
Auto parts	19,139	Canned crab	108,196
Axles	17,585	Silk articles	84,294
Film	11,439	Tangerines	76,292
Total.....	<u>\$4,998,740</u>	Baskets	75,714
		Rags	72,587
		Rugs and carpets.....	65,337
		Bamboo and articles.....	67,058
		Mattings	56,328
		Paper and manuf.....	50,392
		Total.....	<u>\$12,721,979</u>

4. The Case of Portland.

What has been stated regarding Seattle applies also to Portland to a certain degree. That city has essentially been a lumber exporting port. Until 1937 Japan's importance there was next to none, when she vied with the United Kingdom for the first place among importing countries. Since then Japanese purchases have fallen markedly. In the near future, as we have already stated, Japan as well as China will

need Oregon's lumber. But it is to be paid for, for sometime to come, only by the credit resulting from Oregon's purchases from Japan or by those of other ports from the same source.

While we do not question the sincere motives of those who hold the "boycott" to be an instrument for settling international disputes, those who agitated against the shipping of scrap iron from the Port of Astoria to Japan, for instance, evidently did not realize that such an action is exactly like throwing a boomerang, even considered purely from an economic standpoint. They have been, whether in Astoria or elsewhere, unknowingly, indeed blindly, endeavoring to kill the goose that lays the golden egg for Portland or any other American community.

PORLTAND'S TRADE WITH JAPAN*
(1938)

IMPORTS		
Agar	\$ 570	Meals—Linseed cake..... 31,319
Antimonyware	118	Peanut cake..... 3,613
Bamboo goods	3,074	Sardine 7,850
Bamboo poles	705	Paper manuf. 690
Basketware	7,370	Paper transparents .. 453
Books	388	Paper walls 360
Carpet and rugs.....	3,612	Rags, wiping 34,594
Celluloid goods	87	Rice 491
Curios	464	Rubber goods .. 84
Drugs	89	Sake 3,940
Earthenware & porcelain.....	38,745	Seeds, n.o.s. 5
Electrical goods	78	Hemp 989
Fish, canned	2,862	Rape 498
Fishing tackle	3,146	Sesame oil 10
Foodstuff, n.o.s.	13,516	Slippers 60
Beans	482	Soap 34
Clams	190	Straw rugs 2,455
Crab meat	24,795	Tea 2,890
Mushrooms	144	Textile 4,590
Orange, canned	3,665	Thermos bottle .. 270
Pineapple, canned	349	Toys 17,841
Tuna, canned	330	Wine 35
Glassware	1,380	Wire rope 985
Hardwood	640	Wooden ware .. 542
Iron and steel mfgs.....	623	Miscellaneous 3,306
Isinglass	113	
Lacquerware	448	
Lily bulbs	700	Total..... \$226,301

EXPORTS

Cascara bark	\$ 162	Metal scrap	1,183,188
Cattle hoofs	750	Rubber scrap	4,876
Hide	15,696	Seeds	2,073
Household goods	874	Wood pulp	15,680
Iron and steel products..	1,488	Wood mfgs.	5
Logs (2188 Maft).....	99,551	Miscellaneous	2,514
Lumbers	206,685	Total.....	\$1,532,641

*Compiled from the Merchants Exchange Bulletin of Portland, Oregon.

**PORLTAND
PORTLAND AND ITS TRADE WITH THE WORLD***

EXPORTS

Countries	1937	1938
United Kingdom	\$5,703,080	\$ 7,717,280
France	1,178,639	985,886
Belgium	842,219	2,093,830
Germany	567,474	304,323
Norway	58,068	2,600,053
Sweden	366,457	303,892
Denmark	45,421	303,348
Portugal	3,176	237,512
Egypt	179,081	164,654
Italy	467,448	433,159
Palestine	96,333	139,415
Brazil	68,130	119,473
Panama	87,833	121,818
Mexico	120	503,627
Japan	5,629,165	1,532,641
China	1,789,367	669,573
Philippine Islands	1,447,754	1,627,072
Netherland East Indies	53,099	118,086
India	77,936	138,718
Africa		314,317
Cuba	51,554	184,667
Total including others.....		\$21,409,418

IMPORTS

Countries	1937	1938
United Kingdom	\$5,703,080	\$620,180
France	1,178,639	153,731
Belgium	842,219	239,975
Germany	567,474	439,291
Holland		105,740
Norway	58,068	133,068
Brazil	68,130	701,031
Argentine	734,914	279,662
Nicaragua	15,974	111,536
Japan	581,814	226,301
Philippine Islands	2,984,249	2,984,084
Netherland East Indies	53,099	172,494
India	77,936	2,034,874
Total including others.....		\$9,454,505

*Based on Merchants Exchange Bulletin of Portland, 1938.

V. THAT BOYCOTT AND EMBARGO BOOMERANG

We have noted in our brief survey that while Japan's purchases from the United States still far exceed those of the United States from Japan, it is not reassuring that even these American exports are not subject to the general rules of economic laws that imports are paid for by exports. In an effort to balance payments Japan is controlling her purchases abroad to the amount of her exports.

In these days of nationalistic economy and reciprocal trade, the healthiest commerce, we are sure our members agree, is where there

exists even exchange and traffic. We may also be somewhat misled if we proceed on the assumption that the United States enjoys the monopolistic "control" of the essential needs of the world's important industries, even though no one disputes the tremendously rich and diversified resources of this country.

A. The Case of Silk

Take one item, raw silk, which constitutes about 50% of the total export from Japan to the United States. Suppose we borrow trouble, and suppose that there happened to be a stoppage of trade in this article, although such a thing is unimaginable. There is no denying the fact that the Japanese people will experience considerable hardships thereby. But we must not overlook another picture to match it on this side of the Pacific, though perhaps not on such an extensive scale.

In 1937 this country bought \$90,000,000 worth of Japanese raw silk. According to a statement of the Joint Council to Combat the Boycott Against Silk, including the representatives of the American Federation of Labor, the Congress of Industrial Organizations, and employing interests, America's factories converted this Japanese silk into finished goods with a retail sales value of approximately \$580,000,000. These industries employ more than a quarter of a million American workers with the American scale of wages, and give indirect employment to perhaps a quarter million more engaged in transportation, distribution, merchandising. And if we include dress making, and related industries, it will become the question for one million American bread winners. We wonder if those who speak carelessly of boycotting Japanese silk realize that they are boycotting half a million or one million American workers who have nothing to do with controversies in the Orient, but who would augment their already staggering number of unemployed.

One other factor that must be taken into consideration is that only the United States has the full fashioned machinery needed for large scale manufacture of fine silk hosiery. As Japan would find it hard to place her corresponding silk elsewhere in the world's market, so will the United States' vast investment, conservatively estimated at \$200,000,000, have to remain idle should this raw material stop flowing into this country. But the worst of all is that the stoppage will dry up Japan's credit with which she pays for her much needed American cotton.

B. The Case of Cotton.

As has already casually been touched upon, Japan has developed to

be the greatest cotton consuming country in the world next only to the United States. She consumes approximately 3½ to 4 million bales a year. Close to one-half of the supply of this raw material is furnished by the United States. Another noteworthy fact is that while Japanese takings of this American product have been practically stationary, Arizona and California, including the hinterland of San Francisco, have been replacing the Southern sources of this supply to Japan. Unfortunately, the latest tendency is toward a slight decrease of exports of this commodity to Japan due partly to keen competition from other parts of the world in the face of the high price of artificially supported American cotton and partly due to rigid exchange control in Japan.

From 1931 to 1935, on average, 54% of Japan's cotton came from the United States. In 1936, the proportion was 39% and in 1938, only 34%. As a matter of fact, Japan prefers to secure American cotton with long fiber, if things are favorable or at least not unfavorable to her. We are, however, unable to bring ourselves to believe that America has a monopoly on cotton. India, Egypt, recently Brazil, Peru and North China have their quota of excess cotton waiting for Japanese consumption.

JAPAN'S COTTON IMPORTS BY CHIEF COUNTRIES OF ORIGIN*
(in thousands of bales)

Country	1931-35 Average	1936	1938
United States	1,887 (54%)	1,641 (39%)	899 (34%)
India	1,247	1,862	857
China	142	128	396
Egypt	110	123	112
Brazil	4	196**	277
Other countries	48	250	331
Total.....	3,438	4,200	2,595

*Department of Commerce, *Textile Raw Materials*, Vol. 1 (N.S.) Nos. 18 and 19, May 8 and 15, 1939.

**Estimated.

C. The Case of Oil and Other Commodities.

There are some who say that America can get along without some of the things she is importing from Japan and this may be true, but we are not certain that under certain circumstances neither Japan will have to buy other essential raw materials from America, and America alone. It is a well-known fact that Japan's recent oil takings from these shores have gone up by leaps and bounds until today, they have come up to \$49,659,000 worth of petroleum, gasoline, and lubricant, the largest part of which was supplied by California oil interests.

According to the latest available data, California produces about 250,000,000 barrels of oil and of this perhaps one-eighth has been going to Japan. Because the California producers are geared to a high rate of production, their efficiency would be impaired by any sharp decline in sales. Should this trade be cut off, it is claimed that the West Coast producers would be rather hard hit. Nor would it be easy to switch at once to other markets, certainly without reducing the price. We are reminded in this connection that the wells of the Gulf of Persia or Dutch East Indies, and even of Saghalien, not to mention those of Mexico are eagerly waiting for their markets.

Perhaps the next item of importance comes under the heading of iron, steel, and other metals. Japan has long been seeking to develop the sources of these supplies, and we are informed that in the next two or three years, not only in her coal supplies, but in these metal requirements, she may become almost self-sufficient. In the meantime, besides the United States, Australia from its Yampi Sound, British Malaya, and French Indo-China are supplying and can supply Japan's needs.

D. *Pulling Chestnuts Out of the Fire for America's Competitors?*

It is hoped that no one will consider that we are accusing any other nation of trying to use this country to pull their chestnuts out of the fires in the Far East. But the peculiar coincidence is that Japan and the Dutch East Indies signed trade agreements not long ago. Only a short while ago, France and Japan agreed on a trade arrangement, the former acquiescing in a slight unfavorable balance of trade with Japan. Neither has Great Britain given any notice of the termination of the trade treaty which she made with Japan in 1911, in spite of her greater stake in China and immeasurably more occasions for friction with Japan. India and Japan will soon be negotiating for a new trade agreement. Needless to say that in affairs of the world, business sometimes plays dangerous politics, but it is even more dangerous when politics plays with international business.

VI. INVISIBLE TRADE WITH JAPAN IMPORTANT

A. *Invisible Trade with Japan—Tourist Trade.*

So far we have touched merely upon certain phases of the economic significance of American-Japanese trade. Important as this visible trade is, the American-Japanese invisible trade is also by no means insignificant. Inasmuch as it is so extensive we will only casually refer to America's, or rather the Pacific Coast's, invisible export to Japan.

In 1938, 10,215 Japanese passengers arrived at the ports of Hono-

lulu, San Francisco, Los Angeles, and Seattle. As near as can be approximated the average time spent by these passengers in the United States was 60 days. It is conservatively estimated by hotelmen, merchants, sightseeing companies, etc., that the average expenditures of these passengers in the United States was at least \$25.00 per day or a total of \$15,322,500 from this tourist industry. This does not take into account those Japanese passengers who traveled to Japan via the Pacific Coast from Europe, South America and other points. From the same sources of information it is estimated that these Japanese tourists and visitors from Japan stay at least two weeks in California and spend for maintenance, sightseeing and incidentals a total of \$3,575,250 in 1938.

Japanese passengers from Europe, South America, the East Coast and other points in the United States going to Japan total approximately the same number as those coming from Japan to the United States. It is estimated that they stay not less than one week in California, prior to embarkation, and spend \$1,787,625. In other words, the total expenditure in California by Japanese passengers coming from Japan and going to Japan totals \$5,362,875 for 1938.

Moreover, on account of the danger or unsettled conditions in Europe the usual tourist trade for some time to come undoubtedly will be diverted to intra-national travels or trans-Pacific tours. It is estimated that annually approximately 300,000 Americans go abroad. Two-thirds of them go to Europe and the remainder to other parts of the globe. The traffic in the Pacific will no doubt be doubled or trebled, thus overshadowing all traffic of other oceans. As water seeks a lower level, so the traffic as well as trade is bound to seek the more congenial and peaceful waters of the Pacific.

B. *Invisible Trade with Japan—Ships-in-Port Expenditures.*

Another item is of no small importance. In 1938 a total of 779 calls were made by Japanese vessels at the Pacific Coast ports of San Francisco, Los Angeles, Seattle and Portland. We are reliably informed that each time a large Japanese liner docks here, for instance, it costs the company approximately \$20,000 for various expenses, without counting such permanent shore overhead of offices and warehouses. Including the less expensive freighter type of ships, the average expenses will approximate close to \$10,000 per call which brings the total disbursements of the Japanese vessels engaged in trade emanating from the Pacific coast alone, to \$8,000,000 per year. Roughly, therefore, America's invisible export to Japan through Japanese ships and passengers from the Pacific ports alone will come to \$30,000,000

a year without counting that represented by other shipping lines and passengers, and which is even more than the sum involved with Japanese nationals and their vessels.

There are other national ships and travellers who contribute their quota to trans-Pacific traffic and trade, and by which each is being benefited and enriched by complementing each other's wants and needs. Indeed such is the nature and purpose of international trade. It is often claimed that one of the greatest reasons for America's riches is not necessarily because of her vast natural resources; but it is because America is a single free trade area with practically no trade barriers within its vast confines. The Japanese Chamber of Commerce of San Francisco has never been the last organization to appreciate any liberalization of trade policy or removal of trade obstacles wherever it takes place.

VII. OPEN DOOR POLICY

A. General Observations.

America's Oriental policy is covered by the two words, "Open Door", the principle which also is no less a fixed policy of Japan, "though there may be a few slight departures from ordinary practices during the unfortunate Sino-Japanese conflict. But this is temporary." However, we can hardly expect the indefinite extension of "that semi-colonial politico-economic status imposed upon the backward countries by a concert of the strong."

With the awakening of the spirit of self-reliance that sweeps the world the open door doctrine is destined to evolve into equality of economic opportunities and treatment among nations. It will develop into rules for a regime of freer and more liberal international trade policy. Those who insist on the open door policy in the East or Africa often forget two important facts: that all parties at interest must be prepared to contribute their share of liberalism and sense of fairness and equality. In this connection even to this date we are not yet able to reconcile America's immigration discrimination against Europeans who can only enter within a certain limited quota, or against Orientals who are altogether prohibited, with the exception of certain limited classes; whereas there is no bar whatsoever against North or South Americans—all in the name of American solidarity.

Another point is that those who charge rightly or wrongly a third party, say Japan, Italy or Russia, as the case may be, of violating the open door policy, oftentimes forget that those parties are oftentimes much more important as sources of trade than the precious field cov-

ered by the open door policy itself. Take for instance the export trade of the United States to China and Japan. Setting aside the remote potentialities of these two countries, facts speak louder than words.

U.S. TRADE WITH JAPAN AND CHINA

	China	Japan*
1930.....	\$89,605,000	\$164,570,000
1931.....	97,923,000	155,715,000
1932.....	56,171,000	134,921,000
1933.....	51,942,000	143,435,000
1934.....	68,667,000	210,480,000
1935.....	38,153,000	203,283,000
1936.....	46,819,000	204,348,000
1937.....	49,703,000	288,558,000
1938.....	34,749,000	239,620,000

*Kwantung not included.

B. The Case of China.

We admit that America and Japan as first and second important export as well as import countries respectively in 1937, reversed their positions in 1938. With the anti-Japanese regime driven out of the trade ports along the China Sea Japan would naturally resume her premier position and America the second. In interpreting the following returns for the Chinese maritime customs, it must be remembered that they cover the jurisdiction only of the so-called Provisional Government of Peking and the Reform Government of Nanking and other Japanese occupied areas. The imports into the areas controlled by Chiang Kai-Shek are not included in the tabulation. It is natural that while countries like America, Great Britain, and Germany may figure largely in both exports and imports there, it is expected that, so far as Japan is concerned, not one cent more would be added to the following returns.

Hence, when we take all China as a unit, America, Germany, as well as Great Britain, if we include Hongkong, will still be sharing largely in China's foreign trade. As Mr. Carol Lunt, publisher and editor of the China Digest, put it recently at the Foreign Trade Association luncheon of the San Francisco Chamber of Commerce, the proportion of American trade with China may not increase but her net share of trade in the rejuvenated and reconstructed China, largely through the efforts of Japan, will greatly be augmented.

FOREIGN TRADE OF CHINA

	1937		1938	
	Value	Per Cent	Value	Per Cent
Imports				
Japan	150	15.73	209	23.49
America	188	19.75	151	16.93
Germany	146	15.31	112	12.64
Great Britain	111	11.68	70	7.90
Hongkong	19	2.00	10	2.75
Netherlands Indies	80	8.44	45	5.12
Siam	15	1.66	24	2.79
Kwantung Province	9	1.00	37	4.19
Total including others.....	956	100.00	893	100.00

FOREIGN TRADE OF CHINA—(Continued)

	1937		1938	
Exports	Value	Per Cent	Value	Per Cent
Japan	84	10.05	116	15.26
America	231	27.59	86	11.37
Germany	72	8.64	56	7.39
Great Britain	80	9.58	56	7.43
Hongkong	162	19.42	243	31.87
Netherlands Indies	6	0.74	6	0.87
Siam	4	0.49	6	0.79
Kwantung Province	14	1.74	41	5.44
Total including others	838	100.00	965	100.00

C. The Case of Manchoukuo.

Irrespective of our likes or dislikes, whether we recognize it or not, Manchoukuo is putting its house in order under Japanese tutelage. As a result the total value of the foreign trade of that country, which was 1,060,000,000 yuan in 1930 the year before the Manchurian Incident, rose to 1,530,000,000 yuan in 1937. As for the import from various countries during the same period "they witnessed an increase of 35.3% for Great Britain, 98.9% for the United States, and 32.2% for France. Especially conspicuous was the increase in the importation of machinery, tools, vehicles, hardware and timber, the demand for which is expected further with the progress of the work of economic construction in Manchoukuo."

In Manchoukuo, as elsewhere, with peace and order, trade and investment have followed. So has immigration as exemplified by an annual influx of almost one million Chinese from Shantung and other parts of China proper in order to share, as well as contribute towards the prosperity of the newborn Empire.

MANCHURIAN TRADE WITH PRINCIPAL COUNTRIES
(in \$1,000)

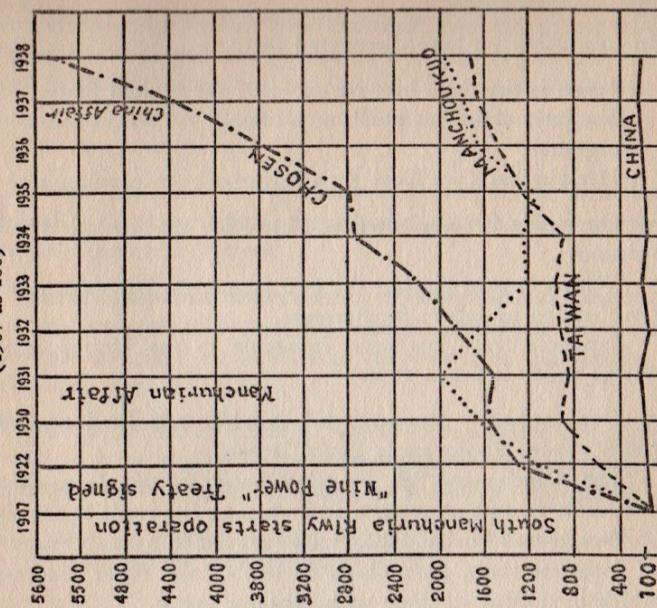
Country of origin or destin.	General Imports				General Exports			
	1934	1935	1936	1937	1934	1935	1936	1937
Japan	125,491	125,622	146,332	180,580	56,399	53,093	68,532	79,774
China	18,856	9,256	13,774	11,321	21,508	18,906	37,077	32,749
Germany	4,078	4,265	3,758	4,974	17,454	9,489	14,505	17,004
Chosen	8,285	6,494	7,909	11,240	15,196	9,769	13,976	12,789
U. S.	11,533	7,194	6,848	16,561	1,953	4,512	4,718	5,376

D. Japan, a Middleman and Stabilizing Factor.

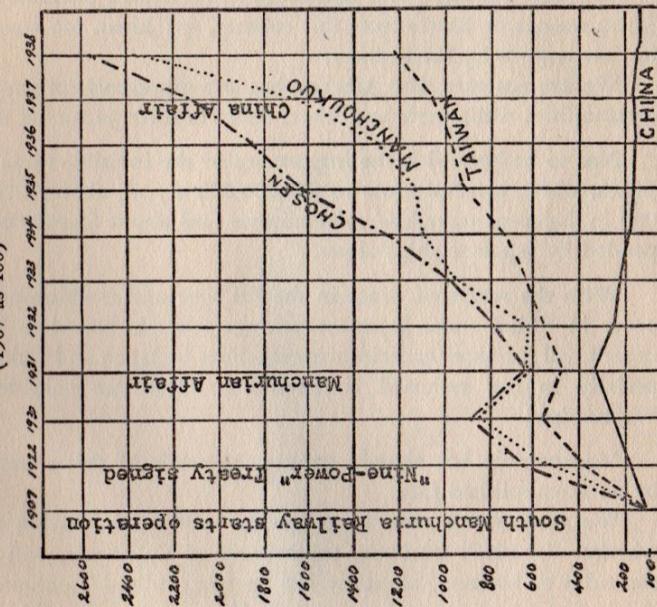
We have referred repeatedly to the fact that the importance of Japan lies largely as a manufacturing nation and a nation of middlemen, processing or finishing the raw materials imported from America for final consumption in other countries, particularly in China and Manchoukuo. Although the channel with China has not been so regularized, that with Manchoukuo more than proves this contention.

Not to be forgotten is the establishment of law and order which is so closely interwoven with the rise and fall of economic activities of a nation, on territory which all shall share directly or indirectly sooner or later.

GROWTH OF EXPORTS FROM CHINA, MANCHOUKUO,
TAIWAN AND CHOSEN*
(1907 as 100)



GROWTH OF IMPORTS INTO CHINA, MANCHOUKUO,
TAIWAN AND CHOSEN*
(1907 as 100)



* "The Economic Strength of Japan," by Isoshi Asahi, facing p. 240.

VII. CONCLUSION.

In conclusion we have discovered that:

1. Japan is the third best customer of the United States; She buys almost as much as all South American countries put together; Her purchases are more than half of the entire takings of Asia;
2. Our trade is complementary, in which raw materials are conspicuous;
Which in turn permits the two peoples to work out profitably the division of labor; furthermore,
Japanese trade has been favorable to the United States by \$178,122,000 between 1935-37.
3. Geographically Japanese trade is fairly well distributed though the Southern Pacific ports figure largely.
Los Angeles and San Francisco naturally take large shares of the trade, though at present, in both cases the trade is one sided;
Seattle and Portland may look forward to a much larger share of Japanese trade, particularly in lumber and other commodities, which in no way compete with Japanese goods.
4. "Boycott" or any other shrinkage in America's purchase from Japan sooner or later affects this country, for Japan too must pay for her imports by her exports;
We are not sure that America has any monopoly on any vital commodities while there are others ready to offer Japan her needs.
5. Not to be ignored is the importance of the invisible trade with Japan, which involves close to \$30,000,000 a year, about \$20,000,-000 in Japanese travellers' expenditures and about \$8,000,000 expended by Japanese ships alone.
6. With the return of peace in the Far East and establishment of order in China under Japanese tutelage there is bound to be an urgent call for more American commodities in Japan and China, especially in her seaboard communities, which are considerably Westernized.
7. Manchoukuo has already proven the truth of this contention by an accomplished fact.
We shall watch with keen interest and much concern as to whether America's business, particularly of California, will heed the rules of business, or allow her "propagandized" sentiment to throw out a boomerang hurting herself as much as her third best

customer across the Pacific, force "the trade away from the channels of natural advantage," and "create new and more profound dislocations."* In the meantime, the Japanese Chamber of Commerce feels that it is reflecting the sincere desire of its members when we say that we ardently hope,

That no unbusiness-like business will creep in to retard the peaceful development of the natural and profitable flow of goods between America and Japan;

That the prophesies and promises of two great American Secretaries of State, which are eagerly anticipated in Japan in a spirit of cooperation, will be fulfilled to the benefit of the peoples of the Pacific; and

That the present apparently unnatural atmosphere in the Pacific will soon be cleared by new arrangements replacing the old, which both America and Japan consider somewhat antiquated.

*From the reported speech of Secretary Cordell Hull made at the National Trade Convention in New York on October 10 1939.

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